HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

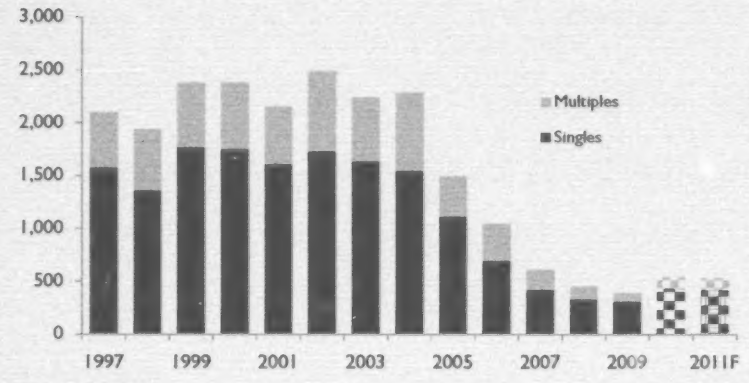
Date Released: Fall 2010

Market at a Glance

- The existing home market will remain balanced through next year as sales and prices stabilize.
- Construction of single-detached homes in 2010 in the Windsor Census Metropolitan Area (CMA) will rise 38 per cent from the cyclical low in 2009. Moving into 2011, demand will stabilize.
- Employment growth will level off in 2011.

Figure 1

Housing Starts Will Hold Steady into 2011



Source: CMHC forecast

[1] The forecasts included in this document are based on information available as of October 8, 2010.

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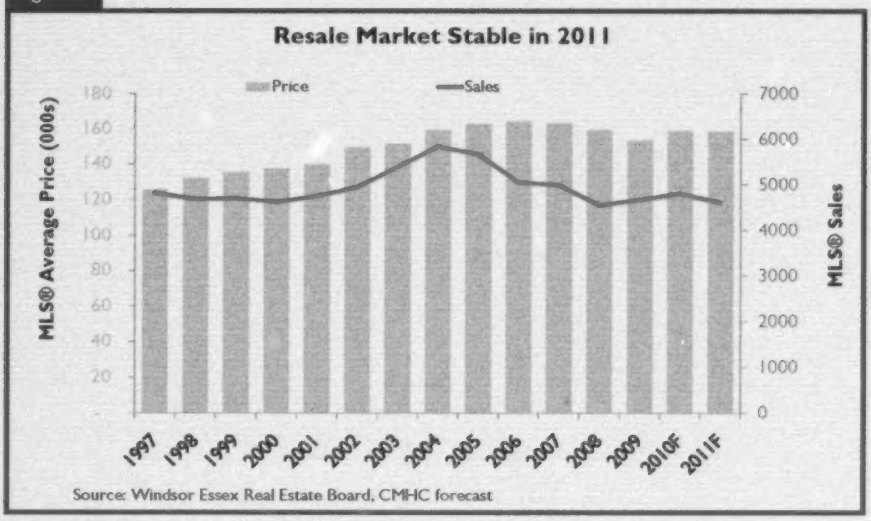
Figure 2



Resale Home Market

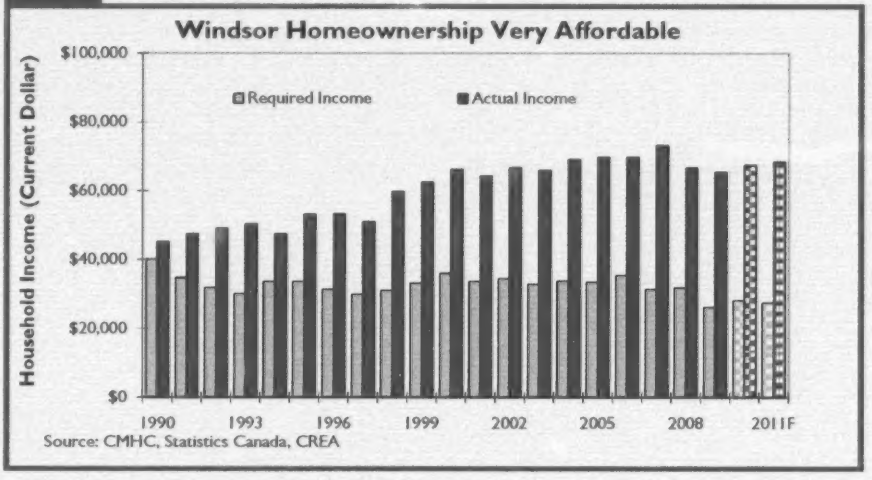
Sales lower in 2011

Sales through the Windsor-Essex Real Estate Board were very strong in the first half of the year as buyers took advantage of favourable conditions, particularly low borrowing rates. Indeed, sales were pushed well above trend because, to avoid anticipated mortgage rate increases, buyers purchased early in the year. The consequence was lower sales later in the year, which explains the fall-off during the third quarter. Windsor sales will stabilize by the end of the year, however only modest gains in sales can be expected through the year 2011. Employment in the prime homebuyer 25-44 year age group is still struggling to regain its strength. This segment represents the majority of the workforce in Windsor and the lack of substantial growth in 2011 will contribute to slightly lower annual sales relative to 2010.

Affordability in the ownership sector continues to make Windsor an attractive market. Home prices have been slow to move up and the gap between the income required to carry a mortgage on an average priced home and actual income remains one of the most substantial of any major metropolitan area in Ontario.

With the strong rebound in sales in 2009, the market tightened up considerably. The return of price growth encouraged some homeowners to list who had postponed their decision while waiting for the market to move from a buyer's to a balanced position. As the presence of repeat buyers increased, listings increased as well, reaching a peak in the first quarter of 2010, on a seasonally adjusted basis. They eased along with declining sales in the second and third quarters and will ease further by the end of the year. Listings are not falling as fast as sales, implying the market is cooling off. However, it still remained in balance and with a return of some first-time buyers in 2011, it will begin to tighten up very gradually. Listings will be rising at a very gradual pace throughout 2011 – a pace that slightly lags the recovery in sales.

Figure 3



[1] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the forecast of the posted fixed five-year mortgage rate and 35-year amortization for a mortgage loan

The average MLS house price is once again progressing following the setback suffered last year. The Windsor Essex MLS residential price was influenced by a greater number of first-time buyer sales which weighed down the average price earlier in2010. Although the entrance of more move-up buyers through the year contributed to market easing, it also meant more higher-priced homes were being sold which pulled up the average price. In 2011, prices will be relatively stable, with both first-time and repeat buyers participating in a balanced market.

New Home Market

Demand for singles carries into 2011

New residential construction will post significant gains in 2010 over the insipid level of activity the previous year. A tighter resale market, reduced outmigration, and greater job opportunities generated these gains. The number of new single detached homes constructed will be just over 400 units this year and the pace of activity will hold steady in 2011. Demand for other new residential housing construction will also level out next year following the gains from a stronger market in 2010.

Construction of semi-detached housing will be minimal as this style is favoured in more expensive and land constrained municipalities. Currently in the Windsor CMA homebuyers are able to find a variety of homeownership options leaving little demand for this housing style. Townhouse ownership construction will continue to fill a niche in the area for those looking for ownership without the onus of outside upkeep as well as the benefits of a smaller community. As the population continues to age expect interest in this housing type to expand. Apartment construction will continue to be minimal in the Windsor market in 2010-11. Demand for new condominium units has not yet returned as an adequate supply is available in the resale market. Rental construction will be limited to several small buildings as the private rental market apartment vacancy rate is still in double digit territory.

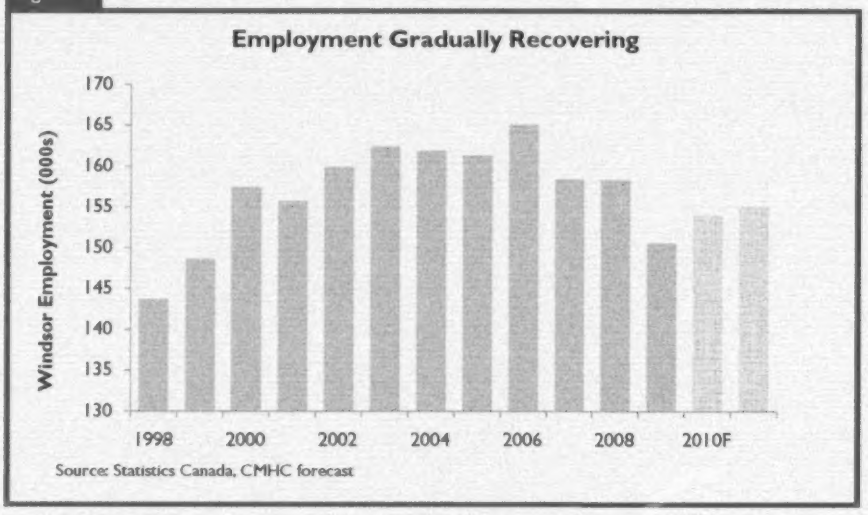
The average price of a newly completed single-detached home in the Windsor CMA has been trending upward throughout the year after bottoming out in the first quarter of 2009. The price will gain seven per cent this year reaching $330,000, more than double the cost of the average resale house. The main driver in the rising price has been a shift in the prices of homes sold, particularly at the low and high end. The share of homes sold under $200,000 has dropped by half in the first three quarters whereas sales over $350,000 have gained from representing one quarter of all sales to one third. This confirms the increasing presence of the move-up buyer and importance in the market today. The New Home Price Index (NHPI) which measures the change in the price on constant quality homes is expected to remain flat this year and rise minimally in 2011.

Economic Trends

Slow but steady

The Windsor-Essex area has weathered another economic storm and is sailing towards calmer waters. Hard hit by the recent economic downturn and the rise in the Canadian dollar, the region suffered the highest levels of unemployment in the country. The Canadian dollar is once again looming as a concern that affects manufacturing, exports, and tourism. In 2010 employment levels will advance a little more than two per cent. Employment levels will be maintained

Figure 4



next year thanks to a rebound in the auto sector, diversification into green energy and technology and a myriad of government and institutional investments. Construction of a plant to manufacture solar panels is underway. Its operations, to begin by early next year, will create 175 new jobs.

As previously mentioned, move-up buyers have been key players in the housing market most recently and this is supported by the employment gains registered in the 45-64 year age group. Contrary to the experience of younger workers, the prospects of this group steadily improved over the course of 2010. More of them held full-time jobs, giving them more confidence and the income to make large ticket purchases such as homes.

More people staying

Net migration to the Windsor CMA is expected to improve this year and next. On a net basis more than 3,000 people left the area in 2009, mainly in search of employment. That number will begin to decline as more people choose to stay in the area because of increasing employment opportunities and the relatively affordable housing. The number of people moving to the area both internationally and from within the province is also expected to increase. International migration to Ontario was up more than 20 per cent in the second quarter of 2010 compared to one year earlier and a portion of these migrants will choose Windsor because of the established communities and the housing options.

Mortgage rate outlook

According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Forecast Summary Windsor CMA Fall 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	4,987	4,546	4,661	4,800	3.0	4,600	-4.2
MLS® New Listings	11,718	11,197	10,133	10,800	6.6	10,100	-6.5
MLS® Average Price ($)	163,215	159,709	153,691	158,900	3.4	158,500	-0.3
New Home Market							
Starts:							
Single-Detached	417	328	303	425	40.3	415	-2.4
Multiples	197	125	88	116	31.8	116	0.0
Semi-Detached	48	22	14	14	0.0	18	28.6
Row/Townhouse	83	87	68	86	26.5	100	16.3
Apartments	66	16	6	36 **		36	0.0
Starts - Total	614	453	391	541	38.4	531	-1.8
Average Price ($):							
Single-Detached	285,819	311,852	309,030	330,000	6.8	340,000	3.0
Median Price ($):							
Single-Detached	259,000	289,000	280,000	300,000	7.1	315,000	5.0
New Housing Price Index (% chg.)	-2.1	0.4	0.1	0.0	-	1.0	-
Rental Market							
October Vacancy Rate (%)	12.8	14.6	13.0	11.8	-1.2	10.5	-1.3
Two-bedroom Average Rent (October) ($)	773	772	747	750	-	760	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	3.47	-	3.20	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	5.59	-	5.20	-
Annual Employment Level	158,400	158,300	150,600	154,000	2.3	155,000	0.6
Employment Growth (%)	-4.1	-0.1	-4.9	2.3	-	0.6	-
Unemployment rate (%)	9.3	9.3	13.8	12.2	-	10.9	-
Net Migration	-2,485	-2,576	-3,004	-3,000	-0.1	-2,000	-33.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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